Business Executives' Expectations

A Quarterly Report from The Conference Board
Based on a Survey of Chief Executives

R4105-37

Third Quarter 1983

BUSINESS SENTIMENT STABLE AT HIGH LEVEL

The Measure of Business Confidence in the third quarter was 75 (on a scale of 0-100), essentially unchanged from the second-quarter record reading of 76. These figures reflect widespread positive sentiment among business leaders.

The Confidence Measure is based on responses to three questions—on the current economic situation, the economic outlook, and the outlook for each respondent's own industry. (See footnote to the table, over.) The score for current economic conditions rose substantially further in the third quarter, while the two expectations scores edged off. This is a reasonable pattern of developments, for the scores reflect the *direction* in which the respondents think conditions are moving, not how good conditions are on some absolute scale. The third-quarter scores say that business leaders are even more convinced than they were earlier this year that conditions have been improving, but are slightly less convinced that conditions will continue to improve. In other words, the past expectations of improvement have turned into the current reality of a recovering economy.

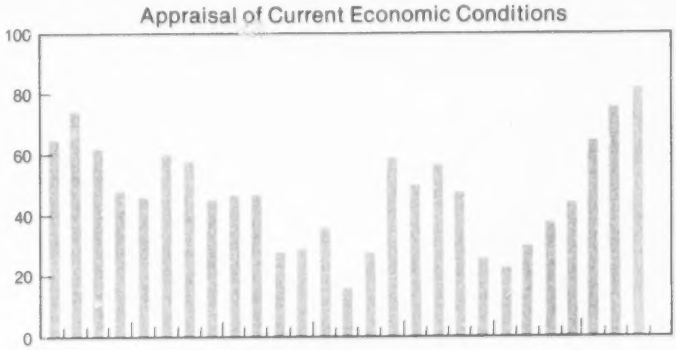
In the third quarter, the score for current economic conditions rose in every industry, while the score for current own-industry conditions rose in most. (The latter score does not enter into the Condifence Measure.) The scores for economic and own-industry outlook dropped in virtually every industry. The largest declines in own-industry outlook were in stone-clay-glass (from 79 to 62), textiles (80 to 66), and lumber-furniture (78 to 67).

The special question in the third-quarter survey asked about expected selling price behavior in 1983 compared with 1982, and in 1984 compared with 1983 (see tables, over). Only 26% of respondents expect prices to be flat or down in 1983, but even fewer—only 16%—expect them to rise faster in 1983 than in 1982. The rest expect a rise at the same rate as in 1982 (22%) or slower (35%). These expectations for 1983 are remarkably similar to the 1983 expectations tabulated in the survey taken a year ago. For 1984, the current survey shows only 15% of respondents expecting prices to be flat or down, and 25% expecting them to rise faster than in 1983. The rest look for prices to rise at the same rate as in 1983 (32%) or slower (28%).

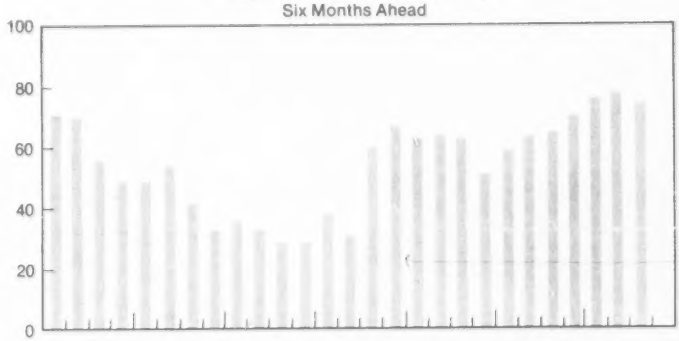
Lora S. Collins

Measure of Business Confidence

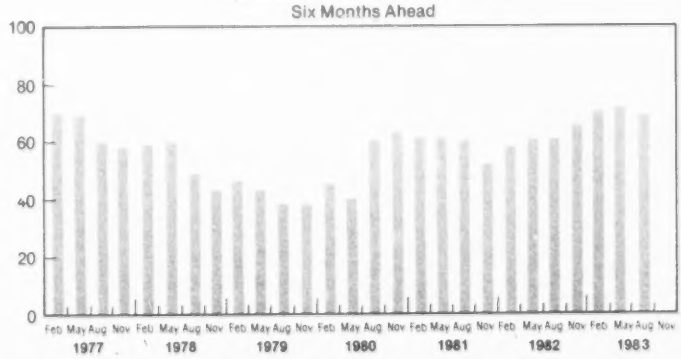
Appraisal of Current Economic Conditions



Expectations for Economy
Six Months Ahead



Expectations for Own Industry
Six Months Ahead



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Selling Price in 1983 Compared with 1982

	Rise Faster	Rise Same	Rise Slower	No Change	Drop
Manufacturing	20%	18%	36%	18%	7%
Mining, construction	9	20	11	35	24
Utilities	4	23	69	2	2
Transportation	15	18	22	26	19
Trade	15	25	37	16	8
Finance, insurance	14	29	31	17	8
All Industries	16	22	35	18	8

Selling Price in 1984 Compared with 1983

	Rise Faster	Rise Same	Rise Slower	No Change	Drop
Manufacturing	27%	34%	28%	9%	1%
Mining, construction	35	18	24	21	2
Utilities	14	27	48	9	2
Transportation	22	48	11	19	0
Trade	25	35	20	14	6
Finance, insurance	23	28	28	14	5
All Industries	25	32	28	12	3

BUSINESS EXECUTIVES' EXPECTATIONS

	1980			1981				1982				1983		
	May	Aug.	Nov.	Feb.	May	Aug.	Nov.	Feb.	May	Aug.	Nov.	Feb.	May	Aug.
MEASURE OF BUSINESS CONFIDENCE	29	49	63	58	61	57	43	47	52	55	60	70	76	75
1. Current Economic Conditions Compared With 6 Months Ago	16	28	59	50	57	48	26	23	30	38	44	65	76	82
2. Expectations for Economy, 6 Months Ahead	31	60	67	63	64	63	51	59	64	65	70	76	78	74
3. Expectations for Own Industry, 6 Months Ahead	40	60	63	61	61	60	52	58	61	61	65	70	72	69
4. Current Conditions in Own Industry Compared With 6 Months Ago	29	36	55	48	51	45	33	29	32	36	44	57	67	71

	3. Expectations for Own Industry, 6 Months Ahead						4. Current Conditions In Own Industry Compared With 6 Months Ago					
	1982			1983			1982			1983		
	May	Aug.	Nov.	Feb.	May	Aug.	May	Aug.	Nov.	Feb.	May	Aug.
Manufacturing	62	61	66	72	74	71	28	32	38	56	66	72
Food	64	58	63	65	67	61	43	49	48	56	60	62
Textiles	66	66	70	74	80	66	23	30	44	62	76	84
Apparel	63	69	71	72	75	75	29	43	46	56	76	79
Paper	69	66	69	77	75	75	25	33	42	59	70	76
Printing, Publishing	59	61	67	72	73	78	31	34	45	59	68	79
Chemicals	63	65	68	75	75	74	30	36	38	56	69	75
Petroleum	75	61	75	*	*	*	42	21	46	*	*	*
Rubber	70	66	74	76	73	73	32	42	47	65	64	73
Lumber, Furniture	61	57	63	74	78	67	20	41	43	59	75	76
Stone, Clay, Glass	57	54	65	77	79	62	22	38	51	59	73	65
Primary Metals	66	62	67	71	73	72	23	24	23	52	61	69
Fabricated Metals	51	61	62	72	76	71	24	31	32	54	63	74
Nonelectrical Machinery	59	57	62	69	69	71	24	20	31	49	59	64
Electrical Machinery	65	63	68	72	78	74	32	31	39	55	68	77
Transportation Equipment	58	57	61	73	71	72	32	30	37	61	67	66
Instruments	66	60	68	71	70	72	34	36	33	52	61	67
Mining	65	59	59	61	67	68	18	26	34	43	53	58
Construction	54	51	58	59	65	64	28	29	38	51	56	63
Transportation	63	65	68	73	76	72	31	40	36	61	66	73
Electric, Gas Utilities	62	61	64	63	68	66	45	43	45	52	60	65
Wholesale Trade	59	58	60	69	70	61	32	33	40	57	69	64
Retail Trade	66	63	69	74	80	73	35	42	46	63	76	75
Banking	58	60	64	65	70	67	37	39	56	59	68	72
Other Finance	57	58	73	71	73	66	35	51	76	75	82	79
Insurance	54	60	61	70	69	66	33	42	48	62	67	67
Business Services	61	66	62	71	76	77	43	45	41	59	68	76

The Measure of Business Confidence is the average of the scores for Questions 1, 2, and 3. There are five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question, and the Measure of Business Confidence, thus can range from 0 to 100.

*Too few responses for tabulation.

Please Note: In the interest of speeding the data contained in this publication to you, these series are now available on-line through The Conference Board Data Base. For more information, call Linette Stein at (212) 759-0900.

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